



Canadian Life & Health
Insurance Association
Association canadienne des
compagnies d'assurances
de personnes

Stephen Frank
President and CEO

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Mark White
Chief Executive Officer
Financial Services Regulatory Authority of Ontario (FSRA)
25 Sheppard Avenue West, Suite 100
Toronto, ON M2N 6S6

Re: FSRA's Proposed 2023-24 Statement of Priorities and Budget

Dear Mark,

On behalf of the Canadian life and health insurance industry, I appreciate the opportunity to provide feedback on the Financial Services Regulatory Authority's (FSRA) Proposed 2023-24 Statement of Priorities and Budget. Overall, we support FSRA's planned priorities for the life and health insurance industry as well as FSRA's objective to focus on operational efficiencies in the areas of compliance, supervision and enforcement.

About the CLHIA

The Canadian Life and Health Insurance Association (CLHIA) is a voluntary association whose member companies account for 99 per cent the life and health insurance business in Canada. These insurers are significant contributors to Ontario and its economy. They provide financial security to about 11.1 million Ontarians and make over \$50 billion in benefit payments (of which 90 per cent goes to living policyholders as disability, supplementary health, or other benefits with the remaining 10 per cent going to life insurance beneficiaries). Life and health insurers also provide annuities (including RRSPs, RRIFs and pensions) to the residents of Ontario. In addition, life and health insurers have more than \$380 billion invested in Ontario's economy. A large majority of life and health insurance providers are licensed to operate in Ontario, with sixty-two headquartered in the province.

Supporting FSRA's Strategic Framework

We are pleased that FSRA's proposed 2023-24 priorities support its strategic framework, which includes:

- Operating effectively to be a high-performing regulator;
- Protecting the public interest to enhance trust and confidence in regulated sectors;
- Transforming regulatory processes to make evidence-based and risk-based decisions; and
- Attracting talent and evolving culture to achieve the mission and vision of the organization.

The strategic framework, launched in 2021-22, continues to be relevant with the proposed priorities being pertinent in current environment. To this end, we believe FSRA's environmental scan highlights a number of the key issues facing the economy and sector going forward.

Enhancing Market Conduct Oversight to Protect Consumers

The industry supports FSRA's objective of protecting consumers through enhanced oversight. The industry's client centric approach to consumer regulation aligns well with FSRA's focus on consumer protection.

We encourage FSRA to focus its efforts in areas where there is the greatest consumer risk. By taking a risk-based approach, FSRA will be balancing the need for consumer protection with burden reduction. This would allow FSRA to address emerging risks while also supporting innovation and protecting consumers.

Insurance Distribution

We support FSRA's planned outcome of stakeholders having clarity and an increased understanding of the regulatory requirements with respect to the role of insurers and managing general agents (MGAs) in the distribution of life and health insurance products. Clarity for each party regarding their role will lead to a stronger distribution system and improve how consumers are served and protected. To this end, the industry looks forward to working collaboratively with FSRA as it moves forward with next steps, including developing a regulatory framework to address potential risks and challenges identified.

Segregated Funds

The industry has been working with regulators, including FSRA, on segregated fund initiatives such as Total Cost Reporting and will continue to do so. We support FSRA's planned outcome of providing the industry with a clear understanding of the regulatory requirements as to what consumers will receive about the total cost of their segregated fund contracts. We reiterate that the new requirements should be implemented in lock-step with the mutual fund industry.

Pensions

The insurance industry has a deep understanding of the capital and risk management principles required to make and deliver on a pension promise. Members of pension plans count on their benefits as an important source of retirement income security and incorporate them into their financial and retirement planning.

As such, we applaud FSRA's emphasis on risk management, as expressed in the proposed 2023-2024 priorities. We support FSRA's focus on defined benefit pension plans, and its plans to identify risk management processes to enable plans to better mitigate risks and protect assets.

We commend FSRA for working with the Canadian Association of Pension Supervisory Authorities to develop guidelines that highlight relevant practices in risk management while considering proportionality. We are pleased to see regulators working together and with industry to support further harmonization of regulatory activities across Canada.

We also support FSRA's efforts to review the long-term viability and financial sustainability of the Pension Benefits Guarantee Fund. We would be pleased to support this work.

We are pleased to see FSRA's continued commitment to modernizing its systems and processes. Initiatives such as digital document processing and digital signature capabilities will help to reduce administrative burden for the sector.

We wish to highlight the benefits of automatic features. We appreciate that FSRA has released guidance on Automatic Features in Defined Contribution Pension Plans. We believe that encouraging employers to incorporate automatic features into their voluntary workplace savings plans, such as automatic enrolment and contributions, will improve outcomes in retirement and benefit Ontarians.

We also encourage dialogue regarding missing plan members. We support efforts to reduce the number of missing plan members. CLHIA member companies can share insights from their many years of experience locating missing members.

Understanding Budget Increases Over Time

FSRA should have the resources that it needs to fulfill its mandate and, as indicated, the industry supports FSRA's proposed priorities.

FSRA is proposing a 7.4 per cent increase compared to the 2022-23 budget. As part of the increase, FSRA anticipates spending \$4.7 million in new initiatives to build regulatory capacity and address the regulatory gaps identified in a number of sectors, including life and health insurance.

It would be helpful from a budget planning perspective to have a sense of whether annual increases will generally be consistent over time and at what level, particularly as FSRA matures. While we understand that there will be some variation from year-to-year given, for example, time limited initiatives, this would help insurers plan for increases as part of their annual budget cycle.

Conclusion

Thank you for the opportunity to provide the industry's feedback on FSRA's Proposed Priorities and Budget. As FSRA works to achieve its planned outcomes, the industry looking forward to continuing our collaborative relationship. We would be pleased to discuss any questions you may have or to provide additional information if it would be helpful.

Sincerely,



Stephen Frank